Yukon Liquor Corporation

ANNUAL REPORT

April 1, 2003 to March 31, 2004

Yukon
Yukon Liquor Corporation

Yukon Liquor Corporation
Annual Report for the year ended March 31, 2004

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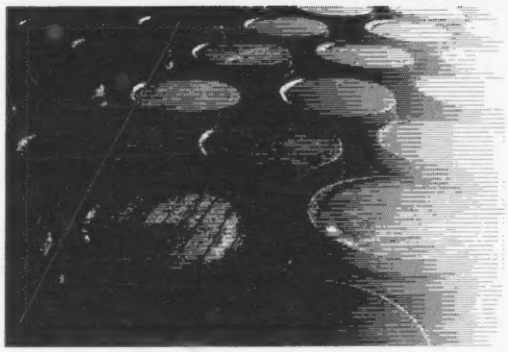

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The Honourable Jim Kenyon
Minister Responsible for the Yukon Liquor Corporation
Government of Yukon

Dear Mr. Kenyon:

I have the honour to submit the Annual Report of the Yukon Liquor Corporation for the fiscal year ended March 31, 2004.

I respectfully request that this report be tabled in the Legislative Assembly, in accordance with Section 16 of the *Liquor Act*.

Respectfully submitted,

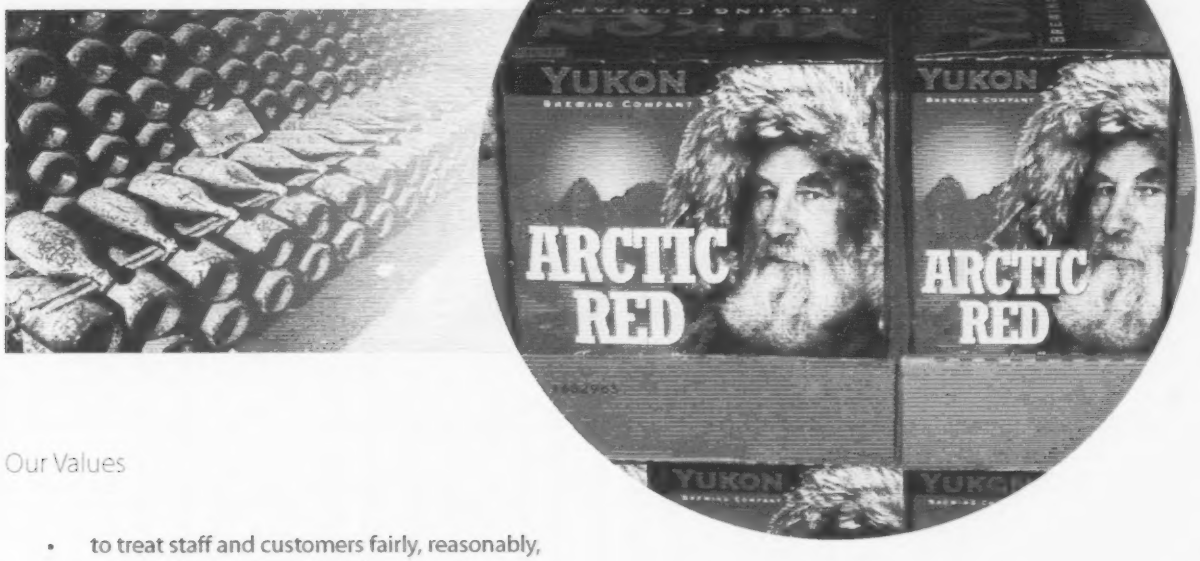
Marc Tremblay
President
Yukon Liquor Corporation

Our Vision

- **to support the evolution of a Yukon culture where all beverage alcohol is consumed in a legal and socially responsible manner, while continuing to provide quality customer service**

Our Mission

- to control the purchase and sale of beverage alcohol products to balance the needs: to maintain the health and safety of Yukoners; to provide alcohol products to those who desire them; and to provide a reliable source of revenue for the Government of Yukon



Our Values

- to treat staff and customers fairly, reasonably, respectfully, and consistently

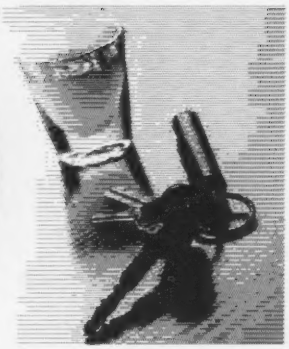
- to employ a participative management style to keep staff and customers informed on the issues and the decisions that affect the Corporation

- **to provide excellent service to customers**

President's Report

Yukon Liquor Corporation has completed another successful year of operation, working through a transition to a new organizational structure, while still making a substantial financial contribution to the Government of Yukon.

By the end of the fiscal year 03/04, the Human Resources and Policy & Communication branches of the Department of Community Services had assumed responsibility for the provision of these shared services to the Corporation. A similar transition has occurred in 04/05 for the Finance & Systems area.



The 2003/04 fiscal year reflected continued strong financial performance. The increase in sales was primarily due to a 3.1 % volume increase, plus the impact of a manufacturer's price increase on beer at the beginning of the fiscal year. Operating expenditures decreased slightly, reflecting the completion of several specific projects and accounting adjustments relating to employee leave liability.

Our staff members have continued to work on client-centred service, to the public and to the licensees, and are looking forward to working more closely with the industry in the upcoming year. Promoting compliance and building relationships with licensees are high priorities for the Corporation. The Corporation is also continuing to provide increased responsibility and authority to the stores, particularly those in the rural communities.

In compliance with the Corporate Governance Act, a protocol that sets out the roles of the Minister, the Yukon Liquor Board, and the Corporation is being developed. This protocol will be updated annually. The Yukon Liquor Board updated its policies in May 2003, and the policies were distributed to licensees for information.

Yukon Liquor Corporation has continued to actively partner with other departments, organizations, and jurisdictions to educate people on responsible consumption and service, and responsible enjoyment, of liquor products.

Again, thanks to all Yukon Liquor Corporation staff for their contributions to the organization: their on-going support and participation makes it possible for the Corporation to succeed!

Marc Tremblay
President
Yukon Liquor Corporation

Overview

General

Established in 1977, Yukon Liquor Corporation (YLC) is a Yukon Crown Corporation responsible for the administration of the *Liquor Act*, *Liquor Regulations* and the *Liquor Tax Act*. YLC is also responsible for the purchase, control and sale of beverage alcohol, and the licensing and inspection of premises licensed for the service and consumption of liquor in the Yukon. It operates a central warehouse and distribution centre in Whitehorse, and six Yukon Liquor Stores.

The Corporation transfers its net income to the Yukon Government. The *Liquor Tax Act* requires the Corporation to collect a 12% tax on the retail value of all liquor products sold to individuals or businesses in the Yukon.

The objectives of the Yukon Liquor Corporation are:

- to provide for and regulate the purchase, importation, distribution, and retail sale of alcoholic beverages in the Yukon
- to encourage social responsibility in the sale and consumption of alcoholic beverages in the Yukon
- to provide for the return, and where possible, recycling of beverage containers
- to provide the services of Territorial Agent in rural communities where a liquor store is located.

The President of the Yukon Liquor Corporation also manages Lotteries Yukon and provides support to the Yukon Lottery Commission.

YUKON LIQUOR BOARD

The Board is responsible for licensing decisions, and for hearing appeals of license suspensions, barrings, and permit refusals. General administration of the Corporation is the responsibility of the President, directed by the Minister.

Currently, the Board has 6 members, appointed by Cabinet. The Board meets monthly, with additional meetings scheduled as required. Support to the Board is provided by the Licensing, Development & Social Responsibility and Program Support branches.

CORPORATION

The Corporation has four branches: Purchasing & Distribution; Retail Sales & Territorial Agent Services; Licensing, Development, & Social Responsibility; and Program Support. The Department of Community Services also provides services to Yukon Liquor Corporation in the areas of Human Resources, Finance, Systems & Administration, and Policy & Communications.

Purchasing & Distribution Branch

This Branch is responsible for the procurement, inventory management, and distribution of beverage alcohol products. The objective of the Purchasing & Distribution Branch is to meet consumer demand with a diverse product mix, and to optimize net proceeds to government from the sale and control of beverage alcohol.

Purchasing & Distribution Branch gathers input from a range of sources, including licensees and other customers, industry, and other jurisdictions, in determining which products to offer for sale in the Yukon, and at what price.

Products are ordered from various locations in Canada. Locally-produced beer is purchased from the Yukon Brewing Company in Whitehorse. All other Canadian-made beer is purchased from breweries in Vancouver. Canadian-made wines and spirits are purchased directly from suppliers in British Columbia, Alberta, Ontario, and Quebec. All imported wine, spirits and beer are purchased from the B.C. Liquor Distribution Branch. This allows the Yukon Liquor Corporation to buy a range of products for our customers, in smaller quantities than might otherwise be possible. The arrangement also allows the Corporation to use the quality control and product expertise of the B.C. Liquor Distribution Branch for a modest administrative fee, minimizing the Corporation's overhead.

Orders for all non-Yukon products are consolidated in Vancouver and then shipped to the central liquor warehouse in Whitehorse. Staff then distribute orders to licensees and to the six Yukon Liquor Stores. Whitehorse licensees purchase their products directly from the central warehouse, and the Whitehorse store primarily serves individuals. The rural stores serve both the general public and licensees.

Yukon Liquor Stores carry 935 standard products. In 2003/04, YLC added 82 new products. 98 products were eliminated from our product list, due to unavailability from suppliers, or to poor sales in the territory.

Purchasing & Distribution staff also place special orders on behalf of licensees and individuals for products not currently carried by Yukon Liquor Corporation. In 2003/04, we processed 176 special orders.

How do I place a special order?

Contact your local Yukon Liquor Store or Purchasing & Distribution at 867-667-8928 (toll-free 1-800-661-0408 ext. 8928).

The minimum order is one case.

Staff will research the cost, including shipping, and provide an estimated price and expected delivery date to you. YLC needs a 50% deposit of the total estimated cost before placing the order. You can pay with cash or credit/debit card (or other pre-authorized payment arrangements, in the case of licensees).

Special orders take between 4 and 12 weeks to arrive, based on where they are coming from. Staff will contact you by telephone when your special order arrives, and you can arrange for pick-up and final payment then.

Purchasing & Distribution staff work closely with suppliers to develop and implement progressive marketing strategies and merchandising programs for shelf management, merchandise display, and in-store tasting programs, in close co-operation with the Retail Sales & Territorial Agent Services branch. Both branches work with local service clubs and industry to organize and facilitate an annual wine-tasting festival, to provide suppliers and the Corporation with information about the Yukon public's preferences and gain input for products which may be added to the Corporation's shelves.

Retail Sales & Territorial Agent Services Branch

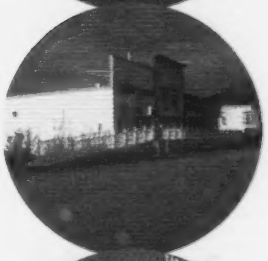
The Retail Sales & Territorial Agent Services Branch manages the operations of the liquor stores, and delivers Territorial Agent services in rural communities with liquor stores. The Branch operates six retail liquor stores: Dawson City, Faro, Haines Junction, Mayo, Watson Lake, and Whitehorse.

The retail liquor stores in the rural communities sell products to licensees as well as to individual customers. They also issue special occasion and reception permits, and are open Tuesday to Saturday. The Whitehorse liquor store sells primarily to individual customers, although it will accommodate licensees when necessary, and is open Monday to Saturday.

As representatives of the Yukon Government, rural store Territorial Agents provide public services such as issue and renewal of driver licences, fishing licences, motor vehicle registrations, and business licences. They also receive payments on behalf of the government, such as property taxes and court fines.

Retail Sales & Territorial Agent Services Branch operates a Bottle Your Own Wine facility at the Whitehorse liquor store.

Whitehorse



Dawson City

Faro

Haines Junction

Mayo

Watson Lake

Licensing, Development, & Social Responsibility Branch

The Licensing, Development & Social Responsibility Branch is responsible for liquor licensing and inspection throughout the Yukon under the *Liquor Act* and *Liquor Regulations*. The Branch works with licence and permit holders to promote voluntary compliance, to ensure that beverage alcohol is sold and served in a legal and socially responsible manner.

Drinking while pregnant can harm your baby.

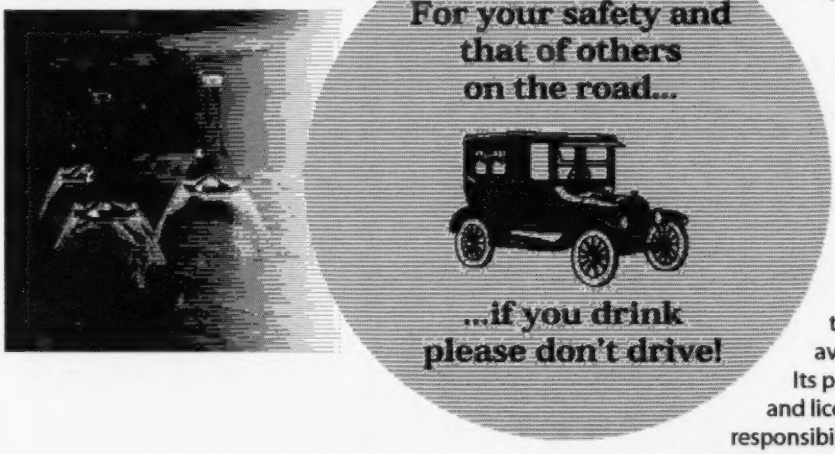
The Branch works with applicants for liquor licenses and permits to assist them to meet the requirements of the legislation. New licence applications are considered by the Board, and permits and licence renewals are considered by the President.

In the 2003/2004 fiscal year, Yukon Liquor Corporation issued 326 licenses for the sale of spirits, wine and beer. In addition to annual licence renewals, this included 13 new licences and 13 licences resulting from changes in ownership. 270 Special Occasion Permits and 142 Reception Permits were issued.

Twenty-six applications for new liquor licences were received in the fiscal year. Of these, 21 were approved.

The Branch promotes voluntary compliance particularly in the areas of public safety, including concerns such as the sale and service of liquor to minors and over-crowding. Liquor inspectors maintain a balanced schedule of walk-through and full-premise inspections of licensed establishments and special events. These inspections focus on aspects of both operations and facilities. More inspections were performed in 2003/04, in order to provide more complete information to the branch in re-focusing their inspection activities. In 2003/04, 1,747 walk-through inspections, and 214 full-premise inspections, were performed.

Although it is the inspectors' duty to identify instances of non-compliance and initiate enforcement action when necessary, liquor inspectors spend a great deal of time consulting with licensees to promote greater awareness and compliance.



Licensees and their staff are encouraged to participate in various training and information sessions offered by the Branch. For example, the Branch delivers the "Be A Responsible Server" (BARS) Program. This is a server-training program, made available free to participants. Its purpose is to make servers and licensees aware of their legal responsibilities as liquor providers, and to encourage both responsible service and voluntary compliance. In 2003/2004, the BARS program was delivered to 270 participants at 31 sessions in 10 Yukon communities.

This branch is also responsible for developing and implementing social responsibility initiatives, in co-operation with other government departments and community stakeholders. Our broad-based social responsibility program partners with various inter-agency and community groups and other territorial government departments in delivering public education programs and encouraging responsible drinking practices. The Corporation also organizes advertising campaigns featuring responsible drinking messages, and publishes a regular Licensee Information Bulletin, to help communicate YLC and industry initiatives, and clarify new or changing policies.

This Branch continues to work closely with other regulatory agencies within the Yukon and in other jurisdictions to address emerging issues.

What is a Special Occasion Permit?

A Special Occasion permit allows a non-profit organization to sell liquor at a special event, such as a fund-raiser or festival.

What is a Reception Permit?

A Reception Permit allows an individual, organization, or corporation to serve (not sell) liquor at a special event held in a public place. Examples are wedding receptions, retirement parties, or art gallery show openings.

Program Support Branch

The Program Support Branch provides YLC with a variety of essential support services. The responsibilities and services of this unit include tele-communications, records management, contract administration, administrative and reception functions, and other support services to all branches of the Corporation. This branch also works with Licencing, Development, & Social Responsibility to provide administrative support to the Yukon Liquor Board.

In 03/04, this branch began to prepare for hosting the June 2004 conference of the Canadian Association of Liquor Jurisdictions and the Association of Liquor Licensing Authorities of Canada. Staff attended the winter conference of these associations in Montréal, to see first-hand how the conference could be organized. They gave a number of presentations, met the delegates, and successfully encouraged them to visit the Yukon.

Shared Services

Shared services are provided to Yukon Liquor Corporation by the Policy & Communications, Human Resources, and Finance, Systems & Administration branches of the Department of Community Services. These centralized branches provide corporate services and support for the Department of Community Services, Yukon Liquor Corporation, Yukon Housing Corporation, and Yukon Lottery Commission.

Policy & Communications

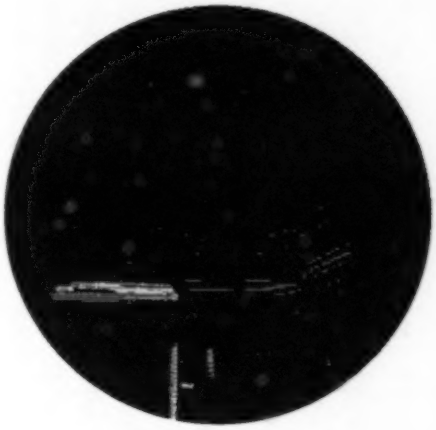
The Policy & Communications Branch provides a wide array of services for the Yukon Liquor Corporation and the rest of the department. It supports the department with policy related issues, research, program development, session support, advertising, news releases, communication material and support, media relations, advocacy, program evaluation and strategic planning.

Finance, Systems & Administration

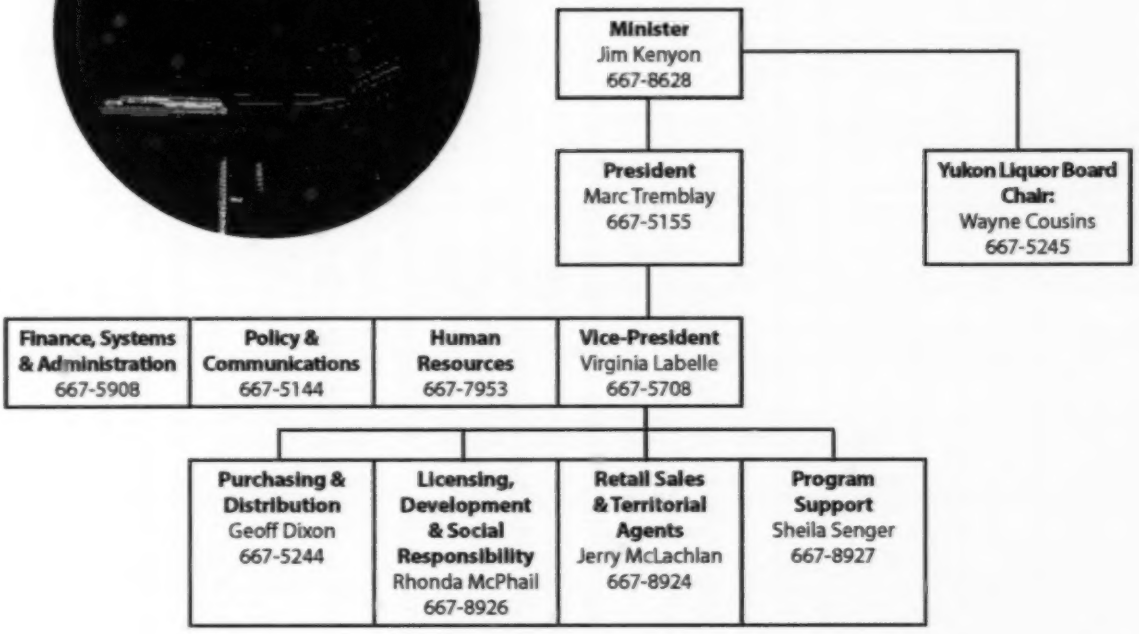
The Finance, Systems & Administration Branch provides financial operation, information systems and selected other administrative services to the department.

Human Resources

The Human Resources Branch provides a full range of Human Resource services, advice, and support that facilitates the delivery of programs and quality customer services.



Organizational Chart



Toll-free within Yukon: 1-800-661-0408

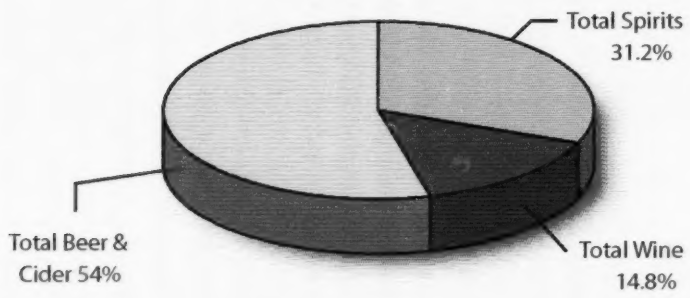
SALES

Comparative Statement of Sales by Product Type

		2003/2004		2002/2003	
		$ ($000's)	%	$ ($000's)	%
Whiskey	Domestic	1,396	6.6	1,309	6.5
	Imported	83	0.4	77	0.4
Scotch	Domestic	0	0	0	0.0
	Imported	410	1.9	418	2.1
Rum	Domestic	841	4.0	844	4.2
	Imported	65	0.3	59	0.3
Gin	Domestic	73	0.4	66	0.3
	Imported	141	0.7	126	0.6
Brandy	Domestic	13	0.1	13	0.1
	Imported	106	0.5	108	0.5
Liqueur	Domestic	238	1.1	231	1.1
	Imported	810	3.8	827	4.1
Vodka	Domestic	1,407	6.7	1,352	6.7
	Imported	151	0.7	144	1.7
Coolers	Domestic	639	3.0	622	3.1
	Imported	47	0.2	17	0.1
Other	Domestic	28	0.1	30	0.1
	Imported	142	0.7	138	0.7
Total Spirits:		**6,590**	**31.2**	**6,381**	**31.7**
Wine	Domestic	1,313	6.2	1,268	6.3
	Imported	1,811	8.6	1,700	8.4
Total Wine:		**3,124**	**14.8**	**2,968**	**14.7**
Beer	Domestic	10,330	49.0	9,881	49.0
	Imported	546	2.5	434	2.2
Cider	Domestic	538	2.5	488	2.4
	Imported	0	0	0	0.0
Total Beer & Cider:		**11,414**	**54.0**	**10,803**	**53.6**
Subtotal:		**21,128**	**100%**	**20,152**	**100%**
Other Sales Income:		**74**		**–**	
Grand Total:		**21,202**		**20,152**	

Sales figures reported do not include deposits, GST, nor Yukon Liquor Tax. "Other Sales Income" includes Opimian Society wine orders, as well as recovery of Limited Time Offer supplier discounts. This amount was not shown separately in 2002/2003.

Sales by Product Type



Why does a 12 bottle case of domestic beer cost $18.15?

Producer	$ 4.96
Federal Duty & Excise Tax	1.23
Freight	1.15
YLC Mark-up	6.90
Yukon Liquor Tax	1.71
Refundable Deposits	1.20
G.S.T.	1.00

Why does a typical 750 ml bottle of spirits cost $21.70?

Producer	$ 3.56
Federal Duty & Excise Tax	3.32
Freight	0.16
YLC Mark-up	10.91
Yukon Liquor Tax	2.15
Refundable Deposits	0.25
Recycling Fee	0.10
G.S.T.	1.25

Why does a typical 750 ml bottle of wine cost $12.95?

Producer	$ 3.92
Federal Duty & Excise Tax	0.38
Freight	0.20
YLC Mark-up	6.08
Yukon Liquor Tax	1.28
Refundable Deposits	0.25
Recycling Fee	0.10
G.S.T.	0.74

Spirits, Wine, Beer & Cider Sales by Location [$000's]

	Spirits	Wine	Beer & Cider	2003/2004	2002/2003
	$	$	$	$	$
Whitehorse Store	3,255	1,968	3,536	**8,759**	8,091
Dawson City Store	564	244	1,297	**2,105**	2,011
Mayo Store	186	91	193	**470**	464
Watson Lake Store	454	184	830	**1,468**	1,442
Haines Junction Store	183	73	466	**722**	780
Faro Store	139	31	212	**382**	518
Licensed Outlets	1,809	533	4,880	**7,222**	6,046
Total 2003/2004	**6,590**	**3,124**	**11,414**	**21,128**	
% of Sales	**31.2**	**14.8**	**54.0**		
Total 2002/2003	***6,381***	***2,968***	***10,803***		***20,152***
% of Sales	***31.7***	***14.7***	***53.6***		***100.0***

Volume of Liquor Sold by Location (in Hectolitres)

	Spirits	Wine	Beer & Cider	2003/2004	2002/2003
Whitehorse Store	1,603	1,988	11,372	**14,962**	14,156
Dawson City Store	291	248	4,263	**4,802**	4,654
Mayo Store	96	133	630	**859**	856
Watson Lake Store	230	220	2,792	**3,242**	3,098
Haines Junction Store	100	70	1,562	**1,732**	1,871
Faro Store	93	56	993	**1,142**	1,170
Licensed Outlets	1,045	525	15,637	**17,217**	16,836
Total 2003/2004	**3,458**	**3,250**	**37,249**	**43,954**	
Total 2002/2003	***3,314***	***3,126***	***36,201***		***42,641***
% Increase/(Decrease)	4.4%	4.0%	2.9%		3.1%

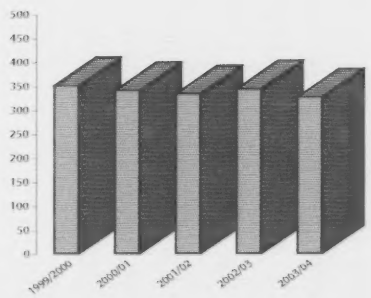
Note: One hectolitre equals 100 litres or 22 gallons

Licences and Permits

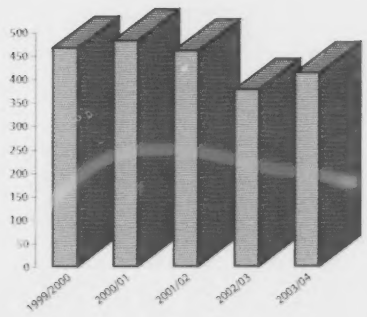
Liquor Licences Issued	2003-04	2002-03	2001-02	2000-01	1999-2000
Liquor Cocktail Lounge	56	62	60	64	65
Beer Tavern	—	—	—	—	—
Dining Room	56	64	60	61	63
Restaurant Beer and Wine	41	43	40	45	43
Liquor Off Premises	65	68	67	70	76
Beer Off Premises	25	24	24	22	23
Club Liquor	10	10	10	9	11
Beer Canteen	—	—	—	—	—
Special Liquor	34	35	35	33	32
Aircraft/Ship Liquor	3	3	3	4	4
Room Service Liquor	24	22	22	22	22
Mess Liquor	1	1	1	1	1
Sport Stadium	1	1	1	1	1
Recreation Facility	8	8	8	6	7
Brewer's	1	1	1	1	1
Brewer's Retail	1	1	1	1	1
Total:	326	343	333	340	350

Permits Issued					
Reception Permits	142	131	191	151	166
Special Occasion Permits	270	246	269	331	300
Total:	412	377	460	482	466

Liquor Licences Issued



Permits Issued



SUMMARY OF PERMITS ISSUED BY LOCATION DURING 2003/2004		
	Reception	**Special Occasion**
Dawson City Store	34	68
Haines Junction Store	19	34
Faro Store	3	15
Mayo Store	1	9
Watson Lake Store	2	16
Whitehorse Office	83	128
Total:	**142**	**270**

SUMMARY OF LICENCE INFRACTIONS

During the 2003/2004 fiscal year, 3 liquor licence suspensions were upheld and served, and 49 letters of warning were issued for infractions under the *Liquor Act* and *Liquor Regulations*. Each suspension or letter of warning may include several infractions.

Infractions	Warnings	Suspensions
Permitting minors on premises	2	0
Selling/serving liquor to minors	2	1
Permitting minors to consume liquor on premises.	2	1
Over-serving patrons	23	1
Permitting intoxicated patrons to enter or remain on premises	35	2
Selling liquor to intoxicated persons or persons appearing to be intoxicated	3	0
Permitting violent, riotous or disorderly conduct on premises	5	1
Permitting gambling on premises	1	0
Operating outside the terms and conditions of licence type/class	1	0
Selling/serving liquor outside the authorized hours	2	0
Selling/serving liquor from unlicensed area	2	0
Selling/serving liquor without a meal in a dining room/restaurant	1	0
Failing to maintain draught beer at required temperature	2	0
Dispensing less than minimum pour	1	0
Allowing liquor to be brought into premises	1	0
Permitting liquor purchased for on premises consumption to be taken off premises	3	0
Failing to clear premises at stated time	2	0
Failing to enforce off-sales policy	1	1
Failing to maintain premises health and safety standards	1	0
Exceeding the maximum seating limits (overcrowding)	2	0
Permitting a person to obstruct a liquor inspector	0	1

Management's Responsibility for Financial Reporting

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The financial statements as at March 31, 2004, which include amounts based on management's best estimates as determined through experience and judgement, are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and her report is included in this report.

Marc Tremblay
President

Temes Cherinet
Director, Finance Systems and Administration

June 10, 2004

Auditor General of Canada
Vérificatrice générale du Canada

To the Executive Council Member responsible for the
Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2004 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Liquor Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept and the financial statements are in agreement therewith, and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Liquor Act* and regulations, the *Liquor Tax Act*, the *Financial Administration Act* and regulations and the by-laws of the Corporation.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 10, 2004

Balance Sheet
as at March 31, 2004

	2004	2003
	(thousands of dollars)	
ASSETS		
Current		
Cash	$ 1,361	$ 1,323
Accounts receivable (Note 3)	56	49
Inventories	1,997	1,887
	3,414	3,259
Property, plant and equipment (Note 4 and Note 6)	2,613	2,958
	$ 6,027	$ 6,217
LIABILITIES & EQUITY		
Current		
Accounts payable (Note 3)	$ 1,612	$ 1,507
Due to the Government of the Yukon (Note 5)	1,031	865
Deferred revenue	97	89
	2,740	2,461
Employee severance benefits	674	798
	3,414	3,259
Equity (Note 6 and Note 4)	2,613	2,958
	$ 6,027	$ 6,217

Commitments (Note 9)

The accompanying notes are an integral part of the financial statements.

Approved by Management:

President

Director, Finance Systems and Administration

Statement of Income
as at March 31, 2004

	2004	2003
	(thousands of dollars)	
Sales		
Beer	$ 11,422	$ 10,804
Spirits	6,573	6,382
Wine	3,207	2,966
	21,202	20,152
Cost of goods sold	10,163	9,654
Gross profit	11,039	10,498
Expenses		
Salaries and benefits	3,647	3,729
Rent, utililties and maintenance	786	757
Amortization	436	604
Cartage	265	230
Bank expenses	202	205
Travel and communications	135	121
Professional services	130	260
General and office supplies	109	206
Miscellaneous	29	24
Board expenses	19	19
	5,758	6,155
Operating income	5,281	4,343
Other income		
Fees, permits and licences	113	117
Miscellaneous	(23)	12
	90	129
Net Income	$ 5,371	$ 4,472

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows
as at March 31, 2004

	2004	2003
	(thousands of dollars)	
Cash provided by (used in):		
Operating activities		
Net income for the year	$ 5,371	$ 4,472
Adjustment for non-cash items:		
Amortization of property, plant and equipment	436	604
(Increase) decrease in accounts receivable	(7)	93
(Increase) in inventories	(110)	(70)
Increase in due to the Government of the Yukon	166	561
Increase in accounts payable	105	141
Increase (decrease) in deferred revenue	8	(4)
(Decrease) increase in accrued employee severance benefits	(124)	23
	5,845	5,820
Investing activities:		
Acquisition of property, plant and equipment	(91)	(685)
Financing activities:		
Adjusted net income due to the Government of the Yukon	(5,716)	(4,391)
Increase in cash during the year	38	744
Cash at the beginning of the year	1,323	579
Cash at the end of the year	$ 1,361	$ 1,323

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
Year ended March 31, 2004

1. Authority and Operations

The Corporation, established in 1977, under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Territory. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Act*.

In accordance with the *Liquor Act*, the net income for the year, before amortization, less amounts expended on property, plant and equipment, is remitted to the Government of the Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of the Yukon and to remit these taxes on a monthly basis. The current rate is 12%, and is applied on the amount the Corporation would otherwise charge for its products.

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

The employees of the Corporation are paid by the Government of the Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

Inventories
Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at Whitehorse, or market.

Amortization
Amortization of property, plant and equipment owned by the Corporation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Buildings	20 years
Furniture and office equipment	5 years
Equipment	5 years
Systems equipment and software	3 years
Leasehold improvements	4 years or remaining term of lease

Employee severance benefits

Non-pension benefits

Under the conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The key assumptions used were a liability discount rate of 6% and an annual rate of general salary escalation of 2.5%. The obligation for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on valuation date.

Pension benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contribution. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

2. Accounting Policies (continued)

Services provided without charge

The Corporation does not record the value of services it receives or provides without charge. These services include the following:

- property, plant and equipment such as liquor store buildings, store and warehouse improvements, furniture and equipment acquired by the Government of the Yukon until March 31, 1990 for use by the Corporation, see (Note 4b);
- services, primarily accommodation, provided by the Government of the Yukon;
- services provided by the Corporation to the Government in its capacity of Territorial Agent in localities outside of Whitehorse; and
- annual audit provided by the Office of the Auditor General of Canada.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting year. This mainly affects employee severance benefits. Actual results could differ materially from these estimates. At the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable.

3. Fair Values of Financial Instruments

Accounts receivable, accounts payable and the amount due to the Government of the Yukon are incurred in the normal course of business. All are due on demand and are non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity.

4. Property, Plant and Equipment

a) Property, plant and equipment purchased by the Corporation after March 31, 1990 are as follows:

	2004			2003
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(thousands of dollars)			
Land	$ 268	$ 0	$ 268	$ 268
Buildings	4,756	2,750	2,006	2,224
Equipment	389	336	53	78
Systems equipment and software	596	572	24	50
Leasehold improvements	395	160	235	322
Furniture and office equipment	92	65	27	16
	$ 6,496	$ 3,883	$ 2,613	$ 2,958

4. Property, Plant and Equipment (continued)

b) The un-amortized cost of property, plant and equipment acquired by the Government of the Yukon until March 31, 1990 and held by the Corporation is as follows:

	2004	2003
	(thousands of dollars)	
Liquor store buildings	$ 978	$ 978
Store and warehouse improvements	1,167	1,167
Equipment	375	375
Furniture and office equipment	104	104
	$ 2,624	$ 2,624

5. Due to the Government of the Yukon

	2004	2003
	(thousands of dollars)	
Adjusted net income due (remitted in advance) (Note 7a)	$ (148)	$ 111
Reimbursements due for salaries paid to employees on behalf of the Corporation	889	547
Liquor tax (Note 7b)	180	155
Net remittances due to the Recycling Fund	110	52
Net due at the end of the year	$ 1,031	$ 865

6. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, $2,613,000 (2003 - $2,958,000) which the Government of the Yukon has provided to the Yukon Liquor Corporation on a cumulative basis.

7. Related party transactions

a) Adjusted Net Income

Calculation of adjusted net income due to the Government of the Yukon for the year (Note 1):

	2004	2003
	(thousands of dollars)	
Balance due at the beginning of the year	$ 111	$ (300)
Net income	5,371	4,472
Capital expenditures	(91)	(685)
Property, plant and equipment amortization	436	604
Adjusted net income due to the Government of the Yukon	5,716	4,391
Less: remitted during the year	(5,975)	(3,980)
Balance due (remitted in advance) at the end of the year (Note 5)	$ (148)	$ 111

7. Related party transactions (continued)

b) Liquor tax

Liquor tax collected and due to the Government of the Yukon for the year (Note 1):

	2004	2003
	(thousands of dollars)	
Balance due at the beginning of the year	$ 155	$ 142
Liquor tax collected during the year	2,544	2,418
Less: remitted during the year	(2,519)	(2,405)
Balance due at the end of the year	$ 180	$ 155

c) Other transactions

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be $565,000 (2003 - $553,000). The value of services provided without charge by the Corporation to the Government is estimated to be $471,000 (2003 - $389,000). These transactions were not included in the financial statements of the Corporation.

8. Pensions

During the year, the Corporation was required to contribute 2.14 times the employees' contributions to the Public Service Superannuation Account.

	2004	2003
	(thousands of dollars)	
Employer Contribution	$ 235	$ 244
Employees' Contribution	110	113
Total	$ 345	$ 357

9. Commitments

The Corporation has the following commitments for annual rentals of leased premises:

Fiscal	Whitehorse Store	Other Retail Stores
2005	207,219	131,587
2006	207,219	68,775
2007	17,268	68,775
2008	–	51,581
2009	–	–

Yukon
Yukon Liquor Corporation

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